

Message Text

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ACTION COME-00

INFO OCT-01 EUR-25 ISO-00 XMB-07 DODE-00 EB-11 OPIC-12

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PASS EXIM; COMMERCE MEPD; DIA; OPIC

E.O. 11652: N/A

TAGS: BMEP, BTRA, PFOR, YO

SUBJECT: MAJOR PROJECT: BOR COPPER EXPANSION

REF: A. STATE 029660; B. BELGRADE 2084

1. SUMMARY: GENERAL MANAGER JOVANOVIĆ TELLS US CURRENT \$250 MILLION BOR EXPANSION PROGRAM CALLS FOR OPENING TWO NEW COPPER DEPOSITS, EXPANDING PYRITE AND MOLYBDENUM OUTPUT, AND CONSTRUCTION OF WHITE SHEET STEEL PLANT, COPPER ALLOYS TUBE PLANT, CABLE FACTORY, MICROELECTRIC MOTORS PLANT AND AUTOMOBILE PARTS FACTORY. JAVANOVIĆ STATED AMERICAN FIRMS HAVE GOOD CHANCE OF CAPTURING MAJOR PARTS OF CONTRACTS FOR IMPORTED EQUIPMENT, AND WOULD BE WELCOMED AS INVESTMENT PARTNERS ON SOME OF PROJECTS. END SUMMARY.

2. ACTING CHIEF ECONOMIC-COMMERCIAL SECTION AND ECONOMIC OFFICER CALLED ON BOZIN JOVANOVIĆ, GENERAL MANAGER, RTB BOR STOJAN TATALOVIĆ, DIRECTOR OR BOR BELGRADE OFFICE, FOR BRIEFING ON CURRENT STSTUS EXPANSION PROGRAM, AND TO EXPRESS HOPE AMERICAN SUPPLIERS WOULD RECEIVE MAXIMUM CONSIDERATION.

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3. JOVANOVIĆ STATED THAT BOR ENGAGED IN VIGOROUS EXPANSION

PROGRAM, AND THAT -- IN LIGHT OF SUPERIOR US EQUIPMENT AND EXCELLENT RELATIONSHIPS -- AMERICAN FIRMS WOULD PROBABLY PLAY A MAJOR ROLE.

4. OF ELEVEN RECENT COPPER DISCOVERIES, JOVANOVIĆ SAID, FIRM PLANS IMMEDIATELY TO DEVELOP TWO: VELIKI KRIVELJ (SERBIA) AND BUCIM (MACEDONIA). BOR IS ONLY COPPER MINING ENTERPRISE IN YUGOSLAVIA AND WILL BE RESPONSIBLE FOR OPENING ALL NEW FIELDS.

5. DEVELOPMENT OF NEW OPEN PIT COPPER MINE AT VELIKI KRIVELJ, WITH ANNUAL CAPACITY OF 19 MILLION TONS ORE (60,000 TONS ELECTROLYTIC COPPER) IS BOR'S MOST IMPORTANT CURRENT PROJECT. FOREIGN EQUIPMENT PACKAGE ESTIMATED AT \$90 MILLION. BECAUSE KRIVELJ ORE COPPER CONTENT LOW, BOR INTENDS PURCHASE BEST TECHNOLOGY AND HIGHEST CAPACITY EQUIPMENT (200 TON CAPACITY TRUCKS, LOADERS, ETC) SO THAT OUTPUT IS COMPETITIVE WITH FOREIGN PRODUCERS. JOVANOVIĆ STATES AMERICAN FIRMS, PARTICULARLY KAISER, HAVE GOOD CHANCE OF CAPTURING MAJOR PART OF CONTRACTS, INCLUDING ALL MINING EQUIPMENT. (KAISER SALES EFFORT WHICH WE HAVE BEEN ASKED TO KEEP CONFIDENTIAL DESCRIBED IN NOVEMBER 27, 1973 LETTER FROM MODDERNO TO E. SEGALL, EUR/EE, COPY D. JOHNSON, COMMERCE.) JOVANOVIĆ STATED BOR WOULD SOON APPROACH EXIM BANK CONCERNING THIS PROJECT.

6. JOVANOVIĆ STATED EXIM BANK HAS ALREADY BEEN CONTACTED REGARDING FINANCING OF US EQUIPMENT TO EXPLOIT NEW MINE AT BUCIM, WHICH HAS ESTIMATED TOTAL DEPOSIT OF 70 MILLION TONS ORE (295,920 TONS LOW-GRADE COPPER).

7. JOVANOVIĆ PLANS FOUR NEW PLANTS FOR MANUFACTURE OF SEMI-FINISHED AND FINISHED PRODUCTS BASED ON BOR-PRODUCED METALS, AND IS INTERESTED IN AMERICAN FIRMS' EQUIPMENT AS WELL AS PARTICIPATION IN JOINT VENTURE PROJECTS.

A. BOR HAS JOINT VENTURE WITH YUGOSLAV STEEL ENTERPRISE JUGOMETAL TO PRODUCE WHITE STEEL SHEETS. DELEGATION FROM TWO FIRMS WILL VISIT WEAN UNITED, WARREN, OHIO, THIS WEEK TO DISCUSS PACKAGE DEAL FOR EQUIPMENT AND POSSIBLE JOINT VENTURE WITH WEAM. ESTIMATED CAPITAL COST \$25-\$30 MILLION.

B. DELEGATION WILL ALSO DISCUSS WITH WEAN PACKAGE DEAL TO SUPPLY EQUIPMENT FOR NEW \$8-10 MILLION COPPER ALLOYS TUBE PLANT.
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C. BOR WILL HAVE READY WITHIN TWO MONTHS PLANS FOR LARGE FACTORY TO MANUFACTURE MICROELECTRIC MOTORS, TO BE USED FOR SMALL APPLIANCES SUCH AS ELECTRIC SHAVERS. PRODUCTION TO BE BASED ON HIGH QUALITY ELECTROLYTIC BOR COPPER. WHEN PLANS ARE READY, BOR WOULD LIKE TO NEGOTIATE JOINT VENTURE WITH US FIRM.

D. BOR IS IN PRELIMINARY DISCUSSIONS WITH FORD REGARDING

JOINT VENTURE FOR PLANT TO PRODUCE AUTO PARTS, INCLUDING RADIATORS.

E. BOR INTERESTED IN JOINT VENTURE WITH US FIRM FOR CONSTRUCTION SECOND PHASE OF ZAJECAR CABLE FACTORY. GENERAL CABLE WAS SUPPLIER ON FIRST PHASE.

8. OTHER ASPECTS BOR EXPANSION PLANS (I.E., INCREASED PYRITE AND MOLYBDENUM OUTPUT AND DEVELOPMENT NORTH MINING DISTRICT AT MAJDANPEK) ESSENTIALLY SAME AS OUTLINED REF B.

9. COMMENT: JOVANOVIC IMPRESSES US AS ONE OF YUGOSLAVIA'S MOST DYNAMIC AND ABLE BUSINESS EXECUTIVES. UNDER HIS LEADERSHIP, BOR ADVANCED FROM 16TH LARGEST YUGOSLAV ENTERPRISE IN 1971 TO SECOND LARGEST IN 1973, DOUBLED COPPER OUTPUT SINCE 1966 TO BECOME EUROPE'S LARGEST PRODUCER, AND CONSTRUCTED FORTY NEW MANUFACTURING AND EXTRACTION PLANTS. HIS VERY POSITIVE ATTITUDE TOWARD US SHOULD BE SIGNIFICANT HELP IN OUR BIDDING FOR SIZEABLE BUSINESS WHICH BOR COMPLEX MAY BE EXPECTED TO GENERATE OVER NEXT SEVERAL YEARS.
JOHNSON

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